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MOSTARS  
3515 Amazonas Drive  
Jefferson City, MO 65109-5717  
(800) 473-6757

# MOSTARS

## Lender Training Guide



**FEBRUARY 1999**

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# MOSTARS Directory Assistance

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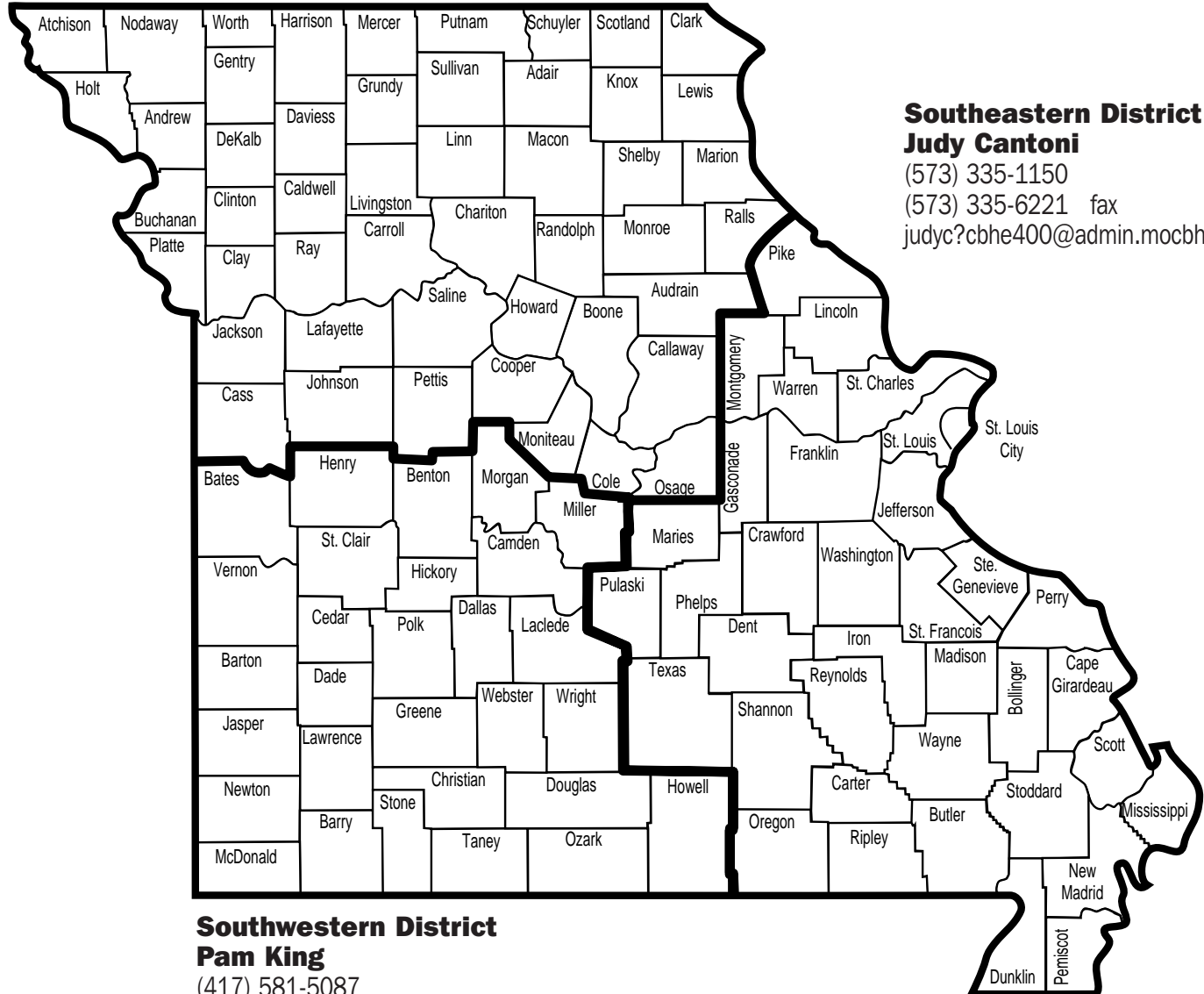
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Shane participates with high schools regarding student assistance issues and outreach activities, and coordinates the Missouri WINS initiative.

**Client Service  
Mailing Address:  
c/o MOSTARS**

**3515 Amazonas Dr.  
Jefferson City, MO 65109**

**MOSTARS Information Center:  
8 a.m. to 5 p.m.,  
Monday through Friday  
(800) 473-6757 or  
(573) 751-3940**

# How To Use This Manual . . .



The Lender Training Guide is an informational tool for lenders who participate in the Missouri Student Loan Program (MSLP), a division of MOSTARS (Missouri Student Assistance Resource Services). The guide is intended for new lenders in the Federal Family Education Loan Program or those who need a refresher course. The guide does not replace the *Common Manual* but provides a broad overview of some policy issues, MSLP-specific policies, and procedures for a lender's participation in the MSLP.

**DISCLAIMER:** The information contained herein was true and accurate to the best of the knowledge and belief of the MSLP as of the print date. All information is subject to change at any time. The MSLP revises this guide as often as is practicable, generally a minimum of once a year.

# Where to Send Documents

## Jefferson City

- Fee Billing Statement
- Bankruptcy Claims
- Policy Interpretation Questions
- 799 Parts V & VI (copies)

## Jacksonville

- Applications
- Loan Status Update Forms (Form-8)
- PCA Information
- Claims (except bankruptcy)

## MSLP

**3515 Amazonas**

**Jefferson City, MO 65109**

## GuaranTec, LLP

**6420 Southpoint Parkway**

**Jacksonville, FL 32216**

## P. O. Box 6730

**Jefferson City, MO 65102**

## Applications:

**P. O. Box 53198**

**Jacksonville, FL 32203**

## Updates (Form-8):

**P. O. Box 52838**

**Jacksonville, FL 32203**

## **GLOSSARY OF ACRONYMS**

<b>AAAD</b>	Administrative Actions and Appeals Division, a division of IPOS
<b>AACA</b>	Association of Accredited Cosmetology Schools
<b>AACRAO</b>	American Association of Collegiate Registrars and Admission Officers
<b>AASCU</b>	American Association of State Colleges and Universities
<b>ABHES</b>	Accrediting Bureau of Health Education Schools
<b>ACCET</b>	Accrediting Council for Continuing Education
<b>ACCSCT</b>	Accrediting Commission of Career Schools/Colleges of Technology
<b>ACE</b>	American Council of Education
<b>ACH</b>	Automated Clearinghouse, may be used to streamline the electronic transfer of funds
<b>ACT</b>	American College Testing Program, ACT sponsors a need analysis application that is used by many Missouri schools
<b>AEDD</b>	Accreditation and Eligibility Determination Division, a division of IPOS which includes the Initial Participation Branch, the State Liaison and Closed School Branch, and the Accrediting Agency Evaluation Branch
<b>AERA</b>	American Educational Research Association
<b>AFDC</b>	Aid to Families with Dependent Children
<b>AGD</b>	Anticipated graduation date
<b>AGI</b>	Adjusted gross income, income figure on federal tax returns used to perform need analysis
<b>AICS</b>	Association of Independent Colleges and Schools
<b>ALAS</b>	Auxiliary Loans to Assist Students, a legislative title for the PLUS program from 1981 to October 1986. The title became obsolete after the 1986 Amendments to the Higher Education Act of 1965 became law.
<b>ASVI</b>	Alien Status Verification Index
<b>ATB</b>	Ability to benefit
<b>ATOM</b>	Automated Transfer of Money, the name of MOSTARS' disbursement clearinghouse service
<b>AWG</b>	Administrative wage garnishment
<b>AY</b>	Academic year
<b>BBAY</b>	Borrower-based academic year
<b>BEOG</b>	Basic Educational Opportunity Grant, the precursor to the Federal Pell Grant Program
<b>BIA</b>	U. S. Bureau of Indian Affairs
<b>BTI</b>	BTI Services, Inc., former name of GuaranTec, the MSLP's servicer
<b>CB</b>	Campus-based student financial aid programs or Campus-Based Dear Colleague Letter

<b>CBA</b>	Consumer Bankers Association
<b>CBHE</b>	Coordinating Board for Higher Education, the Missouri Department of Higher Education. MOSTARS is a division of the CBHE.
<b>CBO</b>	Congressional Budget Office
<b>CCA</b>	Career College Association
<b>CDR</b>	Cohort default rate
<b>CFR</b>	Code of Federal Regulations, all Title IV student aid programs, including FFEL, is regulated by 34 CFR.
<b>CIS</b>	Central Index System
<b>CLIPS™/APS</b>	Comprehensive Loan Information Processing System, electronic application software products offered by MOSTARS featuring overnight guarantees
<b>CM</b>	Congressional Methodology, former name of the Federal Methodology, the need analysis calculation
<b>CMD</b>	Case Management Division, a division of IPOS. The Southeast CMD with a Case Team located in Kansas City (Region VI) oversees Missouri schools that participate in the Title IV programs.
<b>CMPPA</b>	Computer Matching and Privacy Protection Act of 1988
<b>COA</b>	Cost of attendance
<b>COFHE</b>	Consortium on Financing Higher Education
<b>COO</b>	Chief Operating Officer, appointed by the Secretary of Education, the COO is responsible for the management of the PBO
<b>CPA</b>	Certified Public Accountant
<b>CPS</b>	Central Processing System
<b>CPSS</b>	Contracts and Purchasing Support System, a component of EDCAPS
<b>CSS</b>	College Scholarship Service
<b>CSX</b>	CSX Technology, former name of GuaranTec, the MSLP's servicer
<b>DAA</b>	Default Aversion Assistance, formerly PCA. A lender must submit a DAA request to the MSLP when a borrower is 60 – 80 days delinquent on a student loan.
<b>DCL</b>	Dear Colleague Letters, letters published by the U. S. Department of Education to interpret laws and regulations. DCLs are assigned file, or reference, numbers such as 93-G-248. The “93” refers to the year in which the letter was released. The “G” indicates general provisions. The “248” means this DCL was the 248 <sup>th</sup> letter released in 1993.
<b>DEAP</b>	Dependents Educational Assistance Program
<b>DESE</b>	Missouri Department of Elementary and Secondary Education
<b>DMA</b>	Data Management and Analysis, a division of IPOS



<b>DMD</b>	Default Management Division, a division of IPOS
<b>DOS</b>	Disk Operating System
<b>DRN</b>	Data Release Number
<b>D-U-N-S</b>	Data Universal Numbering System, a nine-digit numbering system assigned by the USDE to all participants in the Title IV programs, including schools, lenders, secondary markets, and guaranty agencies, as a result of the Single Identifier Initiative
<b>EAC</b>	Electronic Access Code
<b>EADA</b>	Equity in Athletics Disclosure Act
<b>EADS</b>	Employment Authorization Documents
<b>Project EASI</b>	Easy Access for Students and Institutions, the USDE's goal of an integrated student aid delivery system for students and schools through electronic processes
<b>EDCAPS</b>	Education Central Automated Processing System, USDE's system for financial management, contracts and purchasing, grants administration, and payment management
<b>EDE</b>	Electronic data exchange
<b>EFA</b>	Estimated financial assistance
<b>EFC</b>	Expected family contribution
<b>EFT</b>	Electronic funds transfer
<b>EIN</b>	Employer identification number
<b>EMC</b>	Exceptional mitigating circumstances, a cohort default rate appeal option for schools meeting certain criteria, including having a low-income student body
<b>ENAS</b>	Electronic Need Analysis System
<b>ESAR</b>	Electronic Student Aid Report, precursor to the Institutional Student Information Record
<b>ESL</b>	English as a Second Language
<b>ETS</b>	Electronic Testing Service
<b>EVR</b>	Enrollment Verification Report, the precursor to the MSLP's Student Status Confirmation Report
<b>FAA</b>	Financial Aid Administrator
<b>FAFNAR</b>	Financial Aid Form Need Analysis Report, the school's output document from a College Scholarship Service need analysis application
<b>FAFSA</b>	Free Application for Federal Student Aid
<b>FAO</b>	Financial Aid Office; Financial Aid Officer
<b>FAT</b>	Financial Aid Transcript
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>FERPA</b>	Family Educational Rights and Privacy Act of 1974

<b>FFEL</b>	Federal Family Education Loan. The FFEL Program is a guaranteed student loan program authorized by Part B of the Higher Education Act of 1965, as amended (Chapter 2, Section 4)
<b>FDLP</b>	Federal Direct Loan Program
<b>FFS</b>	Family Financial Statement, the need analysis application processed by ACT
<b>FFY</b>	Federal fiscal year, a period of 12 months that runs from October 1 through September 30
<b>FISAP</b>	Fiscal Operations Report and Application to Participate in the Federal Perkins Loan, FSEOG, and FWS programs
<b>FISL</b>	Federally Insured Student Loan, the current guaranteed student loan programs replaced FISL in 1978
<b>FM</b>	Federal Methodology, the need analysis formula used to determine a student's EFC. The Congressional Methodology was renamed the Federal Methodology in 1992.
<b>FMSS</b>	Financial Management Support System, a component of EDCAPS
<b>FRB</b>	Federal Reserve Board
<b>FSEOG</b>	Federal Supplemental Educational Opportunity Grant program, a campus-based Title IV grant program
<b>FT</b>	Full-time enrollment status
<b>FTC</b>	Federal Trade Commission
<b>FWS</b>	Federal Work-Study, a campus-based Title IV employment program
<b>GAO</b>	General Accounting Office, conducts studies for the U. S. Congress on the potential effects of pending legislation
<b>GAPS</b>	Grant Administration and Payment System, a component of EDCAPS that facilitates the disbursement of grant funds to schools. GAPS replaced the PGRFMS.
<b>GED</b>	General Education Development certificate, an equivalent to a high school diploma
<b>GEN</b>	General Dear Colleague Letter
<b>GLOS</b>	Guarantor and Lender Oversight Service, a division of OPE
<b>GPA</b>	Grade point average
<b>GSL</b>	Guaranteed Student Loan Program, the former name of the Federal Stafford Loan program
<b>HBCU</b>	Historically Black Colleges and Universities
<b>HEA</b>	Higher Education Act of 1965, as amended
<b>HEAL</b>	Health Education Assistance Loan, a loan program that began phase-out on July 1, 1996
<b>HPSL</b>	Health Professions Student Loan program
<b>HT</b>	Half-time enrollment status
<b>IDEALoan</b>	Increased Dollars for Educational Assistance Loan, a program offered by MOSTARS where the lender pays the guarantee fee on behalf of the borrower

<b>IFAP</b>	Information for Financial Aid Professionals, an electronic library for financial aid professionals containing publications, regulations, and guidance regarding the administration of Title IV federal SFA programs. IFAP is sponsored by the USDE and is located on the Internet at <a href="http://ifap.ed.gov">http://ifap.ed.gov</a>
<b>I&amp;NA</b>	Immigration and Nationality Act of 1952
<b>INS</b>	U. S. Immigration and Naturalization Service
<b>IPEDS</b>	Integrated Postsecondary Education Data System, an annual report filed by educational institutions to the U. S. Department of Education
<b>IPOS</b>	Institutional Participation and Oversight Service, a division of OPE
<b>IPS</b>	Institutional Payment Summary (for Federal Pell Grants)
<b>IRA</b>	Individual Retirement Account
<b>IRCA</b>	Immigration Reform and Control Act of 1986
<b>IRS</b>	Internal Revenue Service
<b>ISIR</b>	Institutional Student Information Record
<b>ISS</b>	Integration Support System, a component of EDCAPS
<b>ITIN</b>	Individual Taxpayer Identification Number, an IRS identification number for individuals who are not U.S. citizens, nationals, or permanent residents
<b>IVF</b>	Institutional Verification Form
<b>JTPA</b>	Job Training Partnership Act, a state student financial aid program
<b>LAR</b>	Lender Activity Report, a monthly report sent by the MSLP to Missouri lenders supplying information about student loan accounts
<b>LDA</b>	Last date of attendance; Late Disbursement Affidavit
<b>LID</b>	Lender identification number
<b>LLR</b>	Lender of Last Resort, the MSLP offers an LLR program for Missouri students unable to locate a Federal Stafford Loan lender
<b>LOA</b>	Leave of absence
<b>LOC</b>	Letter of credit
<b>LS&amp;T</b>	Limitation, suspension, and termination
<b>LTH</b>	Less than half-time enrollment status
<b>MAPCS</b>	Missouri Association of Private Career Schools
<b>MASFAA</b>	Midwest Association of Student Financial Aid Administrators, includes Missouri, Iowa, Illinois, Indiana, Michigan, Minnesota, Ohio, West Virginia, and Wisconsin
<b>MASFAP</b>	Missouri Association of Student Financial Aid Personnel
<b>MDE</b>	Multiple Data Entry, MDEs offer need analysis applications to students

<b>MIBA</b>	Missouri Independent Bankers Association
<b>MIC</b>	MOSTARS Information Center
<b>MOHELA</b>	Missouri Higher Education Loan Authority, Missouri's state-designated secondary market. MOHELA offers interim loan servicing and origination servicing to Missouri lenders.
<b>MOSTARS</b>	Missouri Student Assistance Resource Services, a division of the CBHE
<b>MPN</b>	Master Promissory Note (Chapter 20)
<b>MSGP</b>	Missouri Student Grant Program, former name of the Charles Gallagher Student Financial Assistance Program, a state grant program administered by MOSTARS
<b>MSLP</b>	Missouri Student Loan Program, a division of MOSTARS. The MSLP is Missouri's state-designated guaranty agency administering the FFEL Program
<b>NAACS</b>	National Association of Accredited Cosmetology Schools
<b>NACAC</b>	National Association of College Admission Counselors
<b>NACCAS</b>	National Accrediting Commission on Cosmetology Arts and Sciences
<b>NACUBO</b>	National Association of College and University Business Officers
<b>NAS</b>	Need Analysis Servicer, Need Analysis System
<b>NASC</b>	Need Analysis System Certification
<b>NASFAA</b>	National Association of Student Financial Aid Administrators
<b>NASULGC</b>	National Association of State Universities and Land Grant Colleges
<b>NATTS</b>	National Association of Trade and Technical Schools
<b>NCAA</b>	National Collegiate Athletic Association
<b>NCEOA</b>	National Council of Educational Opportunity Associations
<b>NCES</b>	National Center for Education Statistics
<b>NCHELP</b>	National Council of Higher Education Loan Programs, the association for guaranty agencies and secondary markets
<b>NCME</b>	National Council of Measurement in Education
<b>NDSL</b>	National Direct Student Loan program, renamed the Perkins Loan in 1987
<b>NHSC</b>	National Home Study Council
<b>NOG</b>	Notice of Loan Guarantee and Disclosure Statement, sent to lenders from the MSLP upon guarantee of a loan. The lender sends a copy to the borrower. Schools may also receive NOGs upon request.
<b>NPRM</b>	Notice of Proposed Rulemaking, announcement in the Federal Register of proposed new regulations with explanation and specified period during which public comment is invited
<b>NSL</b>	Federal Nursing Student Loan
<b>NSLDS</b>	National Student Loan Data System

<b>OBEMLA</b>	Office of Bilingual Education and Minority Languages Affairs, an office of the U. S. Department of Education
<b>OCF&amp;CIO</b>	Office of the Chief Financial and Chief Information Officer, an office of the U. S. Department of Education
<b>OCR</b>	Office for Civil Rights, an office of the U. S. Department of Education which includes the Resource Management Group and the Program Legal Group
<b>ODS</b>	Office of the Deputy Secretary, an office of the U. S. Department of Education
<b>OERI</b>	Office of Educational Research and Improvement, an office of the U. S. Department of Education which includes the National Institute on Student Achievement, Curriculum, and Assessment; the National Institute on the Education of At-Risk Students; the National Institute on Early Childhood Development and Education; the National Institute on Educational Governance, Finance, Policymaking, and Management; the National Institute on Postsecondary Education, Libraries, and Lifelong Learning; the Office of Reform Assistance and Dissemination; the National Library of Education; Media and Information Services; and the National Center for Education Statistics
<b>OESE</b>	Office of Elementary and Secondary Education, an office of the U. S. Department of Education which includes the Impact Aid Programs; the School Improvement Programs; the Compensatory Education Programs; the Goals 2000 Program; the Office of Migrant Education; the Safe and Drug-Free Schools Program; and the Office of Indian Education
<b>OGC</b>	Office of the General Counsel, an office of the U. S. Department of Education which includes the Program Service; the Postsecondary and Departmental Service; and the Regulations and Legislation Service
<b>OIG</b>	Office of Inspector General, an office of the U. S. Department of Education which includes Audit Services; Investigation Services; and Planning, Analysis and Management Services
<b>OIAA</b>	Office of Intergovernmental and Interagency Affairs, an office of the U. S. Department of Education which includes Intergovernmental and Constituent Relations and Regional and Community Services
<b>OLCA</b>	Office of Legislation and Congressional Affairs, an office of the U. S. Department of Education
<b>OM</b>	Office of Management, an office of the U. S. Department of Education which includes the Equal Employment Opportunity Group; the Family Policy Compliance Group; the Human Resources Group; the Management Systems Improvement Group; the Office of Hearings and Appeals; the Labor Relations Group; the Real Property Group; the Quality Workplace Group; the Health and Environmental Safety Group; and the Training and Development Group
<b>OMB</b>	Office of Management and Budget
<b>OPE</b>	Office of Postsecondary Education, an office of the U. S. Department of Education which includes Policy, Planning, and Innovation; the Higher Education Programs; the Student Financial Assistance Programs; the Policy, Training and Analysis Service; the Accounting and Financial Management Service; the Guarantor and Lender Oversight Service; the Program Systems Service; the Institutional Participation and Oversight Service; and the Debt Collection Service

<b>OS</b>	Office of the Secretary, an office of the U. S. Department of Education which includes the Office of Public Affairs
<b>OSD</b>	Out of school date
<b>OSERS</b>	Office of Special Education and Rehabilitative Services, an office of the U.S. Department of Education which includes the Office of Special Education Programs; the National Institute on Disability and Rehabilitation Research; and the Rehabilitation Services Administration
<b>OUS</b>	Office of the Undersecretary, an office of the U. S. Department of Education which includes the Planning and Evaluation Service and the Budget Service
<b>OVAE</b>	Office of Vocational and Adult Education, an office of the U. S. Department of Education
<b>PART B</b>	The section of Title IV of the Higher Education Act of 1965, as amended, which authorizes the Federal Family Education Loan Program
<b>PART D</b>	The section of Title IV of the Higher Education Act of 1965, as amended, which authorizes the Federal Direct Loan Program
<b>PBO</b>	Performance-Based Organization, USDE's management unit responsible for managing the operational functions supporting the programs authorized under Title IV
<b>PCA</b>	Preclaims assistance, formerly the RCA, a lender must submit a PCA request to the MSLP when a borrower is 50 to 70 days delinquent on a student loan. PCA was replaced by DAA on February 1, 1999.
<b>PEDE</b>	Pell Electronic Data Exchange
<b>PEN</b>	Postsecondary Education Network
<b>PEPS</b>	Postsecondary Education Participants System, a database of postsecondary institutions that participate in any program administered by the USDE, including Title IV. PEPS is maintained by the Program Systems Service of OPE.
<b>PGRFMS</b>	Pell Grant Recipient and Financial Management System, precursor to GAPS
<b>PIC</b>	Public Inquiry Contract
<b>PIN</b>	Personal identification number
<b>PIPD</b>	Performance Improvement and Procedures Division, a division of IPOS, which includes the Performance and Accountability Improvement Branch and the Procedures Branch
<b>PJ</b>	Professional judgment
<b>P.L.</b>	Public law, every federal law is assigned a P.L. number
<b>PLUS</b>	Federal Parent Loans for Undergraduate Students, a Title IV program offered by the MSLP that provides financial aid to parents for their dependent students
<b>PPA</b>	Program Participation Agreement
<b>PRCN</b>	Program Review Control Number
<b>PRI</b>	Participation rate index, a cohort default rate option for schools with a low percentage of its students participating in the loan programs

<b>RCA</b>	Request for collection assistance, former name for preclaims assistance (PCA)
<b>RDE</b>	Recipient Data Exchange
<b>ROTC</b>	Reserve Officers Training Corps
<b>RS</b>	Recipient System, a component of EDCAPS
<b>SAP</b>	Satisfactory academic progress
<b>SAR</b>	Student Aid Report
<b>SAT</b>	Scholastic Aptitude Test
<b>SAY</b>	Scheduled academic year
<b>SCP</b>	Scheduled cash payment
<b>SFA</b>	Student financial aid; student financial assistance
<b>SFY</b>	State fiscal year, a period of 12 months running from July 1 through June 30
<b>SHEEO</b>	State Higher Education Executive Officers
<b>SII</b>	Single Identifier Initiative, an initiative for all participants in any postsecondary education program administered by the USDE to have a single identification number. This project is being conducted by the Student Financial Assistance Programs, a division of OPE.
<b>SLMA</b>	Student Loan Marketing Association, also called “Sallie Mae”
<b>SLS</b>	Federal Supplemental Loans for Students, replaced by the unsubsidized Federal Stafford Loan program in 1994 this Title IV loan program was for graduate, professional, and independent undergraduate students
<b>SMA</b>	Standard Maintenance Allowance, the SMA is subtracted from the AGI in the need analysis calculation
<b>SMSC</b>	Sallie Mae Servicing Corporation, a national secondary market and lender servicer
<b>SNT</b>	Simplified Needs Test, the SNT excludes certain items in the need analysis calculation when a family’s income is low
<b>SPA</b>	Supplemental preclaims assistance, the MSLP is required to provide SPA services for borrowers more than 120 days delinquent
<b>SSA</b>	Social Security Administration
<b>SSCR</b>	Student Status Confirmation Report, formerly known as the Enrollment Verification Report
<b>SSIG</b>	State Student Incentive Grant
<b>SSN</b>	Social Security number
<b>T-BILL</b>	Treasury bill, used to calculate interest rates, interest benefits, and special allowance for guaranteed student loans
<b>TIV WAN</b>	Title IV Wide Area Network
<b>TRIO</b>	Special programs for students from disadvantaged backgrounds, including Educational Opportunity Centers, Talent Search, Upward Bound, and Student Support Services



<b>UNCF</b>	United Negro College Fund
<b>USSA</b>	United States Student Association
<b>USDE</b>	U. S. Department of Education
<b>VA</b>	Veterans Administration
<b>VWS</b>	Verification worksheet
<b>WD</b>	Withdrawal date
<b>WR</b>	Withdrawal Record, a form provided by the USDE to assist schools in collecting the information necessary to perform a refund calculation



## GLOSSARY OF TERMS AND DEFINITIONS

### **Anticipated Graduation Date (AGD)**

Date the borrower expects to graduate. Triggers the beginning of the grace period on the Federal Stafford Loans.

### **Borrower**

Person who has made application for a loan, has been approved for a loan, and who has completed the required loan application/promissory note to obtain disbursement of the loan. This individual is obligated to repay the loan within certain conditions as specified in the promissory note. Students are the only borrowers under the Federal Stafford Loan Program and the Federal SLS Program. Parents are borrowers under the PLUS loan program. (Also see “Comaker” and “Cosigner.”)

### **Borrower Notification**

Letter sent to borrower as notification of the change in ownership of his or her loan from the original lender to the new owner. Instructs the borrower to forward all correspondence and payments to the new holder.

### **Borrower Status Types**

Periods during the life cycle of a student loan which define the borrower’s situation relative to the loan obligation.

**In-School:** attending an eligible institution on at least a half-time basis. This may also be referred to as the “interim” status.

**In Grace:** out of school but not yet expected to make payments.

**In Repayment:** expected to make regular monthly payments unless granted a deferment or forbearance.

### **Capitalization**

The addition of accrued interest to the previously unpaid principal balance. Capitalization increases the principal balance of the loan. A balance must be redisclosed to the borrower after the capitalization procedure. When interest is capitalized, interest must be paid on the new (higher) principal balance amount.

### **Claim**

Application made to a guarantor for payment of an insured student loan. A claim is submitted using the appropriate official form in the event of default, death, total and permanent disability, or bankruptcy of the borrower, OR under other circumstances, such as when the borrower’s school has closed.

### **Comaker**

One of two individuals (usually an eligible parent or parents) who is a joint borrower on a Federal PLUS loan and who is equally liable for repayment of the loan. Comakers are not permitted for loans made directly to the students.

### **Consolidation Loan**

Loan program for eligible borrowers under which their obligations with respect to eligible student loans are paid off by a new loan that combines the aggregate indebtedness of eligible loans into a single debt.

### **Cosigner**

A person other than a borrower who signs the promissory note as back-up for repayment on the loan. A cosigner is pursued for collection if the borrower fails to fulfill his repayment obligations or is not required to fulfill his repayment obligations.

### **Cured Account**

An account which lost the federal guarantee (insurance) due to violations in due diligence and account maintenance procedures, then regained the guarantee. (See also Full Cure.)

**Default**

In the student loan industry, when an account becomes 180 or 270 days delinquent, depending upon the date of the first day delinquency, default proceedings begin. A lender will submit a default claim with the guarantor of the loan(s) for repayment. If the borrower still has not made suitable arrangements for repayment, the guarantor will pay off the account. The guarantor then owns the loan and continues collection procedures. After 270 to 360 days of delinquency, the guarantor will file a claim with the U.S. Department of Education for reimbursement. Default has severe long-term financial consequences for the borrower.

**Deferment**

Authorized period during which a borrower is not required to make installment principal payments. Interest accrues, or is capitalized, and is payable by the borrower unless the borrower was originally eligible for a federal interest subsidy. A deferment must be granted if a borrower qualifies and provides requisite documentation of his/her deferrable status.

**Delinquency**

The failure of a borrower to pay the required amount when due. If the failure persists for 180 or 270 days, depending on the date of the first day of delinquency, for a loan payable in monthly installments, the loan enters default status.

**Due Diligence**

Fundamental FFEL (Federal Family Education Loan) Program concept whereby a lender or holder exercises reasonable care and diligence in the making, servicing, and collection of insured student loans in order to retain the insurance of such loans. Due diligence requires that specified activities be undertaken in a manner defined by the U.S. Department of Education and, additionally, by guaranty agencies. Servicers or lenders must complete very specific servicing and collection requirements in order to file a claim for reimbursement should the borrower default on his student loan.

**Eligible Lender**

Any bank, federal or state savings and loan association, mutual savings bank, federal or state credit union, approved educational institution, or other approved lender which has entered into an agreement, the terms of which are specified by law, with the U.S. Secretary of Education or a state or private guarantor authorizing it to make insured student loans to borrowers under the FFEL Program. Also, in any state, a single agency designated by the state for the purpose of making such loans.

**Eligible School/Institution**

An eligible school/institution which has been certified by the U.S. Department of Education as meeting eligibility requirements under the provisions of Title IV, Part B of the Higher Education Act of 1965, as amended, for participation in the FFEL Program. Only loans issued for attendance at certified participating institutions are eligible for reinsurance, interest, and special allowance benefits.

**Eligible Student**

The student must be enrolled or accepted for enrollment in a degree or certificate program at an eligible school or institution.

**Endorser**

A signer of a promissory note who is secondarily liable for a loan obligation (also known as a cosigner).

**Enrollment Status**

Designation of the student as being fulltime, halftime, or less than half-time by the educational institution in accordance with the normal standards of the institution (within statutory minimums) for determining such status of the student.

**Federal Interest Subsidy**

Payment on behalf of qualified borrowers by the federal government of all or part of the interest which accrues during the in-school, grace, and authorized deferment periods. Also referred to as “Interest Benefits.”

**Final Demand Letter**

A letter that must be sent by the lender or servicer to the delinquent borrower at 151 or more days past due, according to due diligence regulations. This letter states that the borrower must pay the entire outstanding balance on the loan immediately or the loan will default in 30 days.

**Forbearance**

The temporary suspension of payments. Unlike a deferment, the borrower is responsible for the accruing interest (even on subsidized Federal Stafford Loans) and must make periodic interest payments or request that the interest be capitalized at the end of the forbearance.

**Full Cure**

An account which has more than three due diligence violations and/or omissions or a 45-day gap in collection activities. A claim cannot be filed with the guarantor. Specific procedures must be followed to “cure” the delinquency before the holder can apply to reinstate the guarantee.

**Full-Time Student**

Student enrolled in an institution of higher education (other than a correspondence school) carrying a full-time academic workload as determined by the school (within statutory minimums). Workload may include any combination of courses, work experience, research, or special studies.

**Grace Period**

The six-month period granted between the “less than half-time date” (LTH) and the beginning of repayment. If a borrower returns to school at an approved institution, on at least a half-time basis prior to the expiration of the grace period, the full grace period begins again following the date the borrower ceases to be enrolled at least half-time at an approved institution. Once the grace period has expired, the loan has “matured” and the repayment period has begun.

**Guarantor (Guaranty Agency)**

An organization which makes a guarantee to a lender, and promises to pay the lender for the loan if the student fails to repay as promised, providing the lender followed certain rules prior to the default. The guarantor is reinsured for these loans by the U.S. Department of Education as long as the guaranty agency abides by guidelines and keeps its defaults under certain limits. The MSLP is a guarantor.

**Half-Time Student**

A student who is enrolled in a participating school, carrying an academic workload that amounts to at least one-half the workload of a full-time student as determined by the school, and is not a full-time student. A student enrolled solely in an eligible program of study by correspondence is considered a half-time student, and is required to have at least 12 hours of preparation per week.

**Independent Student**

An individual who meets one of the following criteria of the U.S. Department of Education:

- At least 24 years old by December 31 of the academic year for which the loan was intended
- An orphan or ward of the court
- A veteran of the Armed Forces of the United States
- An individual with legal dependents other than a spouse
- A graduate or professional student
- A married person
- FAO makes a documented determination of independence by reason of other unusual circumstances

**Insurance Premium**

A fee charged to a borrower by a guaranty agency for insuring a Federal Stafford, Federal PLUS, or Federal SLS loan. The originating lender deducts 1 percent from the proceeds of the loan and remits it to the guaranty agency on behalf of the borrower. Also known as the guarantee fee.

**Less Than Half-Time Date**

Date when borrower ceases to be enrolled at least half time. This date will take precedence over the expected graduation date and will require proof in the borrower's folder. Designated as the LTH.

**Loan Period**

The period of enrollment for which a loan is approved for use in paying educational expenses incurred during that period.

**Maturity Date**

The date on which the repayment period begins. The day following the expiration of the loan's initial grace period. The borrower is responsible for interest that begins to accrue (even on subsidized Federal Stafford Loans) on the maturity date.

**Need Analysis**

A set of financial criteria, established by the U.S. Department of Education, that is used to determine a student borrower's eligibility for federal interest subsidy.

**Repayment Period**

The period that commences after the expiration of the grace period during which the borrower must make regular installment payments of principal and interest. The maximum term of repayment is generally 120 months.

**Separation Date**

Date borrower graduates or ceases to be enrolled on at least a half-time basis at a participating institution (also known as LTH – Less Than Half-Time Date).

**Simple Interest**

Method used to calculate interest on most student loans. Interest is paid only on the unpaid principal balance. *The formula is:*

$$\text{Interest rate} \times \text{principal balance} \times \text{number of days since last payment posted} / \text{number of days in the year} = \text{Current Interest Accrued}$$

**Special Allowance**

Sum of money paid to the holder of a FFEL Program loan by the federal government to compensate the holder of the loan for the difference between the current market interest rate and the statutory interest rate. This rate is based on the 91-day Treasury bill for the previous quarter.

**Subsidized Interest**

Interest paid on behalf of a qualified borrower by the federal government during in-school, grace, and authorized deferment periods.

## INTRODUCTION

To help students and their families finance the cost of higher education, the federal government created the Federal Family Education Loan (FFEL) Program. The FFEL Program includes:

- Subsidized Federal Stafford Loans (formerly the Guaranteed Student Loan)
- Unsubsidized Federal Stafford Loans
- Federal Parent Loans for Undergraduate Students (PLUS)
- Federal Supplemental Loans for Students (SLS); this program was eliminated July 1, 1994
- Federal Consolidation Loans

These loans offer:

- Low interest rates
- Long-term repayment schedules
- Multiple repayment options

The FFEL Program is unique because it involves both public and private institutions. The school determines eligibility for these loans based on federal criteria and the money is provided by a private bank or other lending institution that participates in the student loan programs.

The student loans are “guaranteed” because they are insured by the federal government; the guarantee replaces the collateral normally required for a long-term consumer loan. The federal government has established state and private non-profit guaranty agencies to provide the insurance. The designated state guaranty agency in Missouri is the Missouri Student Loan Program (MSLP).

If the student fails to repay the loan, the guaranty agency that insured the loan will purchase it from the lender. The guaranty agency will then make a diligent effort to collect on the loan from the student. The guaranty agency is reimbursed by the federal government for all or part of the insurance claims paid to lenders.

## LOAN PROGRAM PARTICIPANTS

The student loan programs involve many different institutions and agencies in the process of making educational loans available to student and parent borrowers. This can be a source of confusion, so it is important to become familiar with the various participants and their roles in the student loan programs.

**SCHOOL** A school is any institution offering postsecondary education that has been approved by the U.S. Department of Education and by the Missouri Student Loan Program (MSLP) to participate in the Federal Family Education Loan (FFEL) Programs. The school:

- Determines FFEL eligibility and amounts
- Verifies the accuracy of need analysis information
- Certifies FFEL applications
- Delivers loan funds

**LENDER** A lender is any bank, savings and loan association, credit union or other lending institution that provides the actual money to the student. The lender:

- Approves the FFEL application
- Disburses FFEL funds
- Tracks the status of each borrower

**GUARANTY AGENCY** The guaranty agency is a state or private non-profit agency that administers the student loan program regulations, insures lenders against default, and collects defaulted loans from borrowers. Each loan application is reviewed to ensure that it has been certified according to federal regulations. Once the guaranty agency has made the final approval, the loan is considered “guaranteed.” If the borrower defaults, the guaranty agency purchases the loan from the lender and diligently attempts to collect the loan from the borrower.

**FEDERAL GOVERNMENT** The regulations that govern the student loan program are federal law. Those laws are interpreted and administered by the U.S. Department of Education. The federal government pays an incentive (special allowance) to lenders to bring the low interest rate paid by the borrower up to a competitive market rate. The federal government also provides reinsurance to guaranty agencies for defaulted loans.

**SERVICER** Servicers are private firms that contract with schools, lenders, guaranty agencies, and secondary markets to perform any part, or all, of their student loan processing tasks. It is important to remember that servicers do not own the loans they service.

**SECONDARY  
MARKET**

Secondary markets are entities allowed by law to specialize in purchasing student loans and holding them until the student completes repayment. Lenders participating in the student loan program are required by law to devote only a portion of their total loan portfolio to student loans. To keep their loan portfolios in the required balance, lenders sell a portion of their existing student loans to a secondary market so they may continue to furnish student loans to new students. It is important to remember that once a loan is sold to a secondary market, that entity owns the loan, and the student is responsible to the secondary market for repayment.

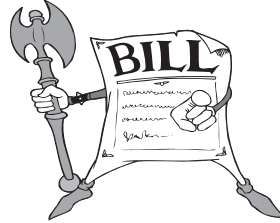
Secondary markets that purchase student loans from lenders are also referred to as “holders.”

The two primary secondary markets in Missouri are the Missouri Higher Education Loan Authority (MOHELA) and Sallie Mae.

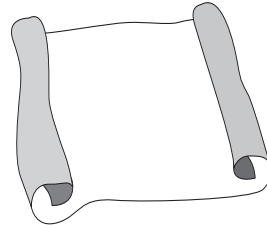
# STUDENT LOAN PROGRAM PARTICIPANTS

## R E G U L A T O R Y P R O C E S S

**Step 1:**  
The U. S. Congress  
passes laws.



**Step 2:**  
The U. S. Department of  
Education interprets the  
laws into regulations.



**Step 3:**  
The guaranty agency  
administers the regulations  
and programs.





# STUDENT LOAN PROGRAM PARTICIPANTS

## A P P L I C A T I O N P R O C E S S

